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BEFORE THE ARIZONA CORPORATION COMMISSION

ROBERT "BOB" BURNS

Chairman

BOYD DUNN

Commissioner

SANDRA D. KENNEDY

Commissioner

JUSTIN OLSON

Commissioner

LEA MÁRQUEZ PETERSON

Commissioner

IN THE MATTER OF INVESTIGATION)
AND COMPREHENSIVE REVIEW OF THE
COMMISSION'S DISCONNECTION RULES
AND THE DISCONNECTION POLICIES OF
PUBLIC SERVICE CORPORATIONS.

DOCKET NO. E-00000A-19-0128

DECISION NO. 77849

ORDER

Arizona Corporation Commission

DOCKETED

DEC 17 2020

DOCKETED BY

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Open Meeting
November 4 and 5, 2020
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Background

1. On September 2, 2020, Commissioner Kennedy issued a letter in this Docket which detailed concerns related to the upcoming deadline of the termination of service moratorium in conjunction with the COVID-19 pandemic and the potential impact on customers' ability to pay their utility bills.

2. During the September 2020 Open Meeting, the Arizona Corporation Commission ("Commission") directed Utilities Division Staff ("Staff") to bring back, for Commission consideration a proposed recommended order using Commission Kennedy's letter as a starting point.

3. In an effort to further extend customer protections during this time, Commissioner Kennedy's letter proposed that regulated entities revise the service conditions contained in their tariffs to reflect the following changes:

- The regulated utilities shall offer customers Deferred Payment Arrangements ("DPAs").

- Utilities shall offer residential ratepayers equal, fixed monthly installments payable over no fewer than 24 months, with no down payment, unless ratepayers agree to a shorter repayment period.
- For each month a residential ratepayer is in compliance with the repayment plan, the utility shall deduct 1/12 of a customer's arrearage after each on-time payment of the existing month's bill. After twelve on-time payments, the ratepayer's pre-existing debt will be fully forgiven.
- Utilities shall not use disconnections or any legal process to collect arrearages from a residential ratepayer in compliance with a repayment plan.
- Utilities will not report late payments or nonpayment for active residential ratepayers to credit bureaus and reporting agencies during the moratorium, a two-month transition grace period, plus an extended four months (a total of six months after the end of the moratorium).
- Communications regarding DPAs and other bill assistance programs will be made by mail/email to all customers no later than 30 days after the Order, with the following:
 - Potential DPA terms.
 - How to enroll (giving the customer and utility opportunity to set up payment arrangements without disconnection notices being sent).
 - Information about the Low-Income Home Energy Assistance Program ("LIHEAP"), bill payment assistance programs, and all other customer-assistance programs available and how to enroll.
 - All communications should be provided in English and Spanish, with the following added for those who do not speak or read English or Spanish: "Important - This notice affects your rights and obligations and should be translated immediately."
- Utility websites will display credit and collection policies, including but not limited to, the DPAs, moratorium end date and grace period.
- Utilities shall provide physical notice where they do business and where payments are received and include notice on the utility website.

4. Comments to Commissioner Kennedy's letter were filed in the docket by: Grand Canyon State Electric Cooperative Association, Inc. ("GCSECA"); Arizona Public Service Company ("APS"); jointly for Tucson Electric Power Company ("TEP"), UNS Electric, Inc. ("UNS Electric"), and UNS Gas, Inc. ("UNS Gas"); jointly for Ajo Improvement Company ("AIC") and

1 Morenci Water and Electric ("MWE"); jointly for Wildfire and Arizona PIRG Education Fund; and
2 Sierra Club.

3 5. GCSECA's response to Commissioner Kennedy's letter explained why Cooperatives
4 differ from investor-owned utilities and that, based on the differences, the Commission had approved
5 alternative service termination procedures for each Cooperative in place of a date-based moratorium.
6 Therefore, GCSECA believes that the Cooperatives' current Commission-approved service terms
7 and conditions already address Commissioner Kennedy's concerns, and that the suggested changes
8 are unnecessary.

9 6. In response to Commissioner Kennedy's letter, APS will voluntarily extend its
10 disconnection moratorium through December 31, 2020. APS will implement automatic six-month
11 payment arrangements for delinquent customers at the conclusion of the extended moratorium,
12 which exceeds the current four-month terms. In its response, APS listed several changes that it has
13 made to its credit and collection policies over the past year and specific actions to recognize
14 hardships that customers are facing during the COVID-19 pandemic. APS also described its
15 customer communication efforts.

16 7. In their response, TEP, UNS Electric, and UNS Gas stated that they had suspended
17 late fees and customer disconnections at the beginning of the COVID-19 pandemic. They are
18 extending their voluntary suspension of disconnections for residential and small commercial
19 customers through the end of the year. They have offered and will continue to offer flexible payment
20 arrangements. They did express some concerns about the proposed DPA. Those concerns include,
21 but are not limited to, customer eligibility requirements, program start and end dates, billing system
22 limitations, and cost recovery for customer arrearage forgiveness and program related expenses. In
23 addition, they believe that affected utilities should be given enough time prior to starting the program
24 due to potential billing system limitations and the opportunity to defer any associated costs for
25 recovery in future rate case proceedings.

26 8. In response to Commissioner Kennedy's letter, AIC and MWE indicated that they
27 will continue to work with customers in an effort to avoid disconnections. AIC was able to work
28 with customers after the end of the moratorium last fall and MWE did not have customers subject to

1 disconnection upon expiration of the moratorium last fall.

2 9. Arizona PIRG's and Wildfire's response recommended that each affected utility
3 should provide a customer education and outreach plan which contains the information in
4 Commissioner Kennedy's letter through various outlets to ensure customers are aware of the options
5 available and take advantage. Arizona PIRG and Wildfire also recommended that every current
6 discount program increase eligibility to 200% of the federal poverty guideline level to ensure that
7 customers who receive LIHEAP or other bill assistance are automatically enrolled in the appropriate
8 discount program. Arizona PIRG and Wildfire also support Commissioner Kennedy's DPA
9 proposal and the proposal that utilities do not report late payments to credit bureaus. Further,
10 Arizona PIRG and Wildfire recommended that the Commission require the major utilities to file
11 monthly updates with quarterly analysis related to this docket.

12 10. Sierra Club supports Commissioner Kennedy's proposals in addition to the
13 recommendations presented by Arizona PIRG and Wildfire. Sierra Club also recommends that
14 short-term, utilities should focus on arrearage relief for customers and long-term savings from
15 energy efficiency investments and other conservation measures. Further, Sierra Club recommends
16 that the Commission require utilities to investigate how to better design energy efficiency programs
17 to reduce the energy burden especially for customers at higher risk for disconnections when shut-off
18 restrictions end. Also, the Commission should ensure utilities provide customers with effective
19 access to their energy data and provide securely share that data with third-parties that could help
20 target energy efficiency measures.

21 11. Based on a discussion with Arizona Water Company, the Company expresses
22 concern with the 24 months' deferment. According to the Company, they have and will continue
23 working with their rate payers and will appreciate the flexibility to continue to work with their
24 customers.

25 **Staff Analysis**

26 12. Staff has reviewed Commissioner Kennedy's letter and the other comments filed in
27 the docket.

28 . . .

13. Staff recommends the following proposals:

- The regulated utilities shall offer customers DPAs.
- Utilities shall not use disconnections or any legal process to collect arrearages from a residential ratepayer in compliance with a repayment plan.
- Utilities will not report late payments or nonpayment for active residential ratepayers to credit bureaus and reporting agencies during the moratorium, a two-month transitional grace period, plus an extended four months (a total of six months after the end of the moratorium).
- Communications regarding DPAs and other bill assistance programs will be made by mail/email to all customers no later than 30 days after the Order, with the following:
 - Potential DPA terms.
 - How to enroll (giving the customer and utility opportunity to set up payment arrangements without disconnection notices being sent).
 - Information about Low-Income Home Energy Assistance Program ("LIHEAP"), bill payment assistance programs, and all other customer-assistance programs available and how to enroll.
 - All communications should be provided in English and Spanish, with the following added for those who do not speak or read English or Spanish: "Important - This notice affects your rights and obligations and should be translated immediately."
- Utility websites will display credit and collection policies, including but not limited to the DPAs, moratorium end date and grace period.
- Utilities shall provide physical notice where they do business and where payments are received and include notice on the utility website.

14. Staff recommends offering a DPA for eight months; since a period of eight months, would last until the beginning of the next termination of service moratorium period or until June 1, 2021, which will coincide with the beginning of the 2021 moratorium on disconnections. Staff believes that extending the DPA period, especially into and past an additional termination of service moratorium cycle, may lead to accumulation of unpaid balance and may further cause a customer's inability to pay his/her bill and could increase a utility's bad debt expense. As to the issue of

1 forgiveness of arrearages, Staff does not recommend the forgiveness of arrearages for the following
2 reason:

- 3 a. Unpaid balances, if and when forgiven, become bad debt expense, which may
4 be collected from other rate payers.

5 15. Staff notes that the Commission has previously given the electric distribution
6 cooperatives flexibility related to termination of service procedures. Staff believes that it is
7 appropriate that Cooperatives continue to be afforded the flexibility previously approved by the
8 Commission but that the cooperatives should incorporate as many of the above provisions as
9 practical.

10 **Staff Recommendations**

11 16. Staff recommends that all regulated Class A, B, and C utilities providing retail
12 residential electric service revise their service conditions to allow customers to enter into a DPA that
13 provides ratepayers equal, fixed monthly installments payable over no fewer than eight months, with
14 no down payment, unless ratepayers agree to a shorter repayment period. In addition, Staff
15 recommends that the following DPA provisions be incorporated into each regulated Class A, B, and
16 C electric utility's terms and conditions of service contained in their tariffs:

- 17
- 18 • The regulated utilities shall offer customers DPAs. A DPA shall apply to the
19 amount in arrears at the time the Arrangement is entered into. Any current
20 amounts that subsequently become due for each month would be in addition
21 to the DPA monthly amount until the arrearage is paid in full.
 - 22 • Utilities shall not use disconnections or any legal process to collect arrearages
23 from a residential ratepayer in compliance with the DPA or during the
24 moratorium period.
 - 25 • Utilities will not report late payments or nonpayment for active residential
26 ratepayers to credit bureaus and reporting agencies during the moratorium, a
27 two-month transitional grace period, plus an extended four months (a total of
28 six months after the end of the moratorium).
 - Communications regarding DPAs and other bill assistance programs, to be
reviewed by Staff, will be made by mail/email to all customers no later than
30 days after the Order, with the following:
 - Potential DPA terms.

- How to enroll (giving the customer and utility opportunity to set up payment arrangements without disconnection notices being sent).
- Information about LIHEAP, bill payment assistance programs, and all other customer-assistance programs available and how to enroll.
- All communications should be provided in English and Spanish, with the following added for those who do not speak or read English or Spanish: "Important - This notice affects your rights and obligations and should be translated immediately."
- Utility websites will display credit and collection policies, including the terms and conditions applicable to DPAs, moratorium end date and grace period.
- Utilities shall provide physical notice where they do business and where payments are received and shall also include notice on the utility website.

17. Staff recommends that all regulated Class A, B, and C utilities providing retail electric residential service be required to amend their tariff that incorporates the proposed revisions updating its service conditions, with language as described herein, as a Compliance item with Docket Control, no later than 30 days after a Decision in this matter, for consideration at a future Open Meeting.

18. This change to the service terms and conditions contained in the utility's tariffs is intended only to incorporate new provisions to add a DPA. It is not intended to change any other provisions of the company's tariffs or any agreements made by the utility including those pertaining to the disconnection moratorium period.

19. The Cooperatives should continue to be afforded the flexibility related to termination of service procedures but should strive to incorporate as many of the provisions described in Finding of Fact 13 as practical for the benefit of their member-owners. The Cooperative specific provisions approved in the Commission's prior Decisions remain appropriate and do not require revision at this time; however, a Cooperative may revise the terms and conditions contained in its tariffs consistent with this Decision if the Cooperative's board or directors deems such revisions appropriate and in the best interest of its member-owners.

20. We find that the public interest supports modifying Staff's recommendations as follows:

- (a) **Automatic Enrollment:** Residential customers will be automatically enrolled in deferred payment arrangement who have an account in arrearage and would be eligible for disconnection if not for the disconnection moratorium or who have lessor past due amounts and are eligible for payment arrangements.
- (b) **Payment Period:** DPAs shall be not less than eight months ("Payment Period") unless a residential customer who is enrolled in a DPA: subsequently opts-out of the DPA; agrees to a shorter payment period; fails to make a non-partial on-time payment in accordance with the terms of the DPA; or fails to make a non-partial on-time payment for the customer's current bill.
- (c) **Payment Amount:** DPA amounts will be determined by taking the amount owed at the time of the customer's enrollment into the DPA, less any COVID discounts that apply under subparagraph (b) above, and dividing it by the months of the payment arrangement; a payment is "non-partial" if it is equal to or greater than the DPA Payment Amount; a utility shall not require a customer, who is enrolled in a DPA, to pay more than the Payment Amount as a term or condition to the DPA.
- (d) **COVID Discount:** For low-income qualified customers who are placed on a DPA based on their arrearage as of the date this Order is issued, the utility will provide a discount in the amount of \$250 or the then outstanding balance if customer's arrearage is less than \$250 at the beginning of the DPA. The discount amount will be reflected in an accounting deferral order minus any below the line funds voluntarily provided by the Company. This discount is a one-time support and incentive to help customers during the time of COVID.
- (e) **COVID Discount Eligibility:** Residential low-income discount program participants as of the date of this Order being issued.
- (f) **Low-Income Discount Program Eligibility:** Residential low-income discount programs are available to residential customers whose gross monthly household income is at or below 150% of the federal poverty level. After the effective date of this Order, the utility eligibility for the residential low-income discount will be 200% of the federal poverty level.
- (g) Within 30 days after the effective date of this Decision, each regulated Class A, B, and C electric utility that provides residential service and must revise terms and conditions contained in its tariffs consistent with this Decision shall file, for Staff review, a customer outreach and education plan that includes the utility's proposed language, to communicate at a minimum the following information to its residential customers. All communications shall be provided in both English and Spanish:
 - i. Terms and conditions of the DPA.
 - ii. Notification of automatic enrollment in a DPA.

- 1 iii. Information about Low-Income Home Energy Assistance Program (LIHEAP),
2 bill payment assistance programs, energy efficiency programs, and all other
3 customer-assistance programs available.
- 4 iv. Information about the Company's low-income discount program.
- 5 v. The following statement, written in bold print: "Important Notice– Please review
6 immediately."
- 7 (h) Each Class A, B, and C electric utility's tariff changes made as required by this Decision,
8 once approved by the Commission, shall remain in effect until further Order of the
9 Commission.
- 10 (i) Beginning April 15, 2021, and until January 15, 2023, each regulated Class A, B, and C
11 electric utility that provides residential service and must revise terms and conditions
12 contained in its tariffs consistent with this Decision shall file, as a Compliance item in
13 this docket, a quarterly report, which shall provide the following information for each
14 month of the previous quarter:
 - 15 i. The number of residential customers that were disconnected by zip code or, if a
16 termination of service moratorium is in place, the number of residential accounts
17 that would have been subject to disconnection if not for the moratorium;
 - 18 ii. The number of residential customers by zip code that have arrearages;
 - 19 iii. The total dollar amount of arrearages, by zip code;
 - 20 iv. The average amount in arrearages per residential customer, by residential
21 customer class;
 - 22 v. The number of residential accounts enrolled in a DPA and the number of those
23 residential accounts in compliance with the DPA;
 - 24 vi. The number of active and delinquent residential customers with an arrearage of
25 \$300 or more, disaggregated in to "low-income customers" and "other residential
26 customers";
 - 27 vii. The percentage of low-income customers in arrears who have received customer
28 assistance in the current calendar year;
 - viii. The number of active, delinquent residential accounts with an arrearage of \$300
 or more, disaggregated into "other residential" accounts and "low-income
 accounts," and further disaggregated to show the duration of the arrearages (up
 to 30 days, 30 to 60 days, and 60 to 90 days); and
 - ix. A brief narrative discussing the information contained in the report.
- (j) If a Cooperative's board or directors deems revising the terms and conditions contained
 in its tariffs consistent with this Decision appropriate and in the best interest of its
 member-owners, the Cooperative's board or directors shall determine the scope to which
 subparagraphs (f) and (h) above should apply to the Cooperative, including but not
 limited to the following: what customer outreach and education plans should be required;
 what minimum information should be communicated; in what language such information
 should be communicated; what information about member-owners should be tracked and
 collected; what quarterly reports should be made; what information those reports should
 contain; how frequently and for what duration such reports should continue to be
 required; and to whom such reports should be made. If the Cooperative's board or

1 directors requires the Cooperative to file any of the above-referenced reports with the
2 Commission, then each such report shall be filed in this docket as a Compliance item.

3 CONCLUSIONS OF LAW

4 1. The Commission has jurisdiction over public service corporations pursuant to Art.15,
5 Section 2 of the Arizona Constitution.

6 2. The Commission has jurisdiction over the subject matter of this Docket.

7 3. The Commission, having reviewed Staff's memorandum dated October 23, 2020,
8 concludes that Staff's recommendations, as modified by Finding of Fact 19 and 20, are in the public
9 interest and should be approved.

10 ORDER

11 IT IS THEREFORE ORDERED that each regulated Class A, B, and C utility providing retail
12 residential electric service shall revise their terms and conditions contained in their tariffs to allow
13 customers to enter into a Deferred Payment Arrangement that provides ratepayers equal, fixed
14 monthly installments payable over no fewer than eight months, with no down payment, unless
15 ratepayers agree to a shorter repayment period.

16 IT IS FURTHER ORDERED that the provisions contained in Finding of Fact 16, as modified
17 by Finding of Fact 19 and 20 above, shall be incorporated into the terms and conditions of each
18 regulated Class A, B, and C electric utility's tariff.

19 IT IS FURTHER ORDERED that the regulated Class A, B, and C utilities providing retail
20 residential electric service shall file a new application that incorporates the proposed revisions
21 updating its terms and conditions of service contained in its tariffs with language as described in
22 Finding of Fact 16, as modified by Finding of Fact 19 and 20, as a Compliance item with Docket
23 Control, no later than 30 days, after a Decision in this matter, for consideration at a future Open
24 Meeting.

25 IT IS FURTHER ORDERED that the terms and conditions of service approved for the
26 Cooperatives in Decision Nos. 77356, 77357, 77362, 77364, 77656, 77657, 77658, 77659, and
27 77660 shall remain in effect and do not require, but may be revised consistent with, the revisions
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1 described herein. Such revisions to the terms and conditions may be filed, as a Compliance item,
2 with Docket Control.

3 IT IS FURTHER ORDERED that each electric utility is authorized to defer for possible later
4 recovery through rates all discounts herein Ordered to be paid (less any amounts voluntarily
5 contributed by the utilities from below the line sources). Nothing in this Decision shall be construed
6 in any way to limit this Commission's authority to review and make any disallowances thereof due
7 to imprudence, errors or inappropriate application of this Order.

8 IT IS FURTHER ORDERED that each Class A, B, and C electric utility's tariff changes
9 made as required by this Decision, once approved by the Commission, shall remain in effect until
10 further Order of the Commission. Nothing in this Order precludes a utility from filing a request to
11 change, modify or update their tariffs and schedules should circumstances warrant such change.

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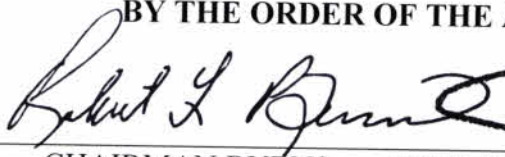
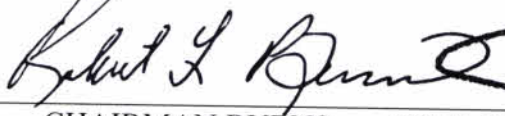
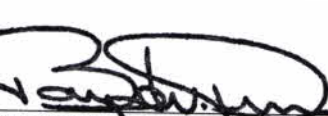

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1 IT IS FURTHER ORDERED that this change to the service terms and conditions contained
2 in the utility's tariffs is intended only to incorporate new provisions to add a DPA. It is not intended
3 to change any other provisions of the company's tariffs or any agreement made by the utility
4 including those pertaining to the disconnection moratorium period.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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9 CHAIRMAN BURNS COMMISSIONER DUNN COMMISSIONER KENNEDY
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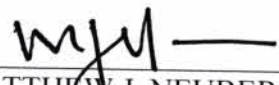
11 **DISSENT**

12 COMMISSIONER OLSON

13 
14 COMMISSIONER MÁRQUEZ PETERSON



17 IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
18 Executive Director of the Arizona Corporation Commission,
19 have hereunto, set my hand and caused the official seal of this
20 Commission to be affixed at the Capitol, in the City of
21 Phoenix, this 17 day of December, 2020.

22 
23 MATTHEW J. NEUBERT
24 EXECUTIVE DIRECTOR

25 DISSENT: 

26 DISSENT: _____

27 EOA:CLA:elr/MAS
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